May 22, 2018

The Honorable Robert Pittenger  
House of Representatives  
Washington, DC  20515

Dear Representative Pittenger:

On behalf of America’s credit unions and their 110 million members, I am writing in support of Sec. 701 of H.R. 5841, the “Foreign Investment Risk Review Modernization Act of 2018,” which would delay the risk-based capital rule recently finalized by the National Credit Union Administration (NCUA). Thank you for your leadership on this matter. The Credit Union National Association (CUNA) represents America’s credit unions and their 110 million members and we thank you for your leadership on this matter.

Credit unions throughout the United States have expressed their significant concerns regarding the NCUA’s risk-based capital standards for credit unions. Specifically, many of these concerns pertain to whether NCUA has legal authority to impose the requirements. In addition, credit unions have a particular concern with risk-based capital standards for the purpose of determining whether a credit union is well-capitalized as the Federal Credit Union Act permits the NCUA to impose a risk-based standard for the purpose of determining capital adequacy only.

Credit unions also have significant concern with the additional regulatory burden imposed by these standards, and question whether the cost is justified. Our analysis shows that it would have done very little to reduce costs to the National Credit Union Share Insurance Fund (NCUSIF) had it been in effect during the most recent financial crisis. The current Prompt Corrective Action (PCA) system served very well during that crisis, with relatively few credit union failures. If a goal of a PCA scheme is for covered institutions to hold sufficient capital to withstand a severe financial crisis without imperiling the deposit insurance fund, credit unions’ performance during the recent financial crisis stands as compelling evidence that a major overhaul of current credit union capital requirements toward a Basel-style system is simply not required.

During consideration of the Dodd-Frank legislation, Congress explicitly excluded credit unions from risk-based capital requirements, in recognition of the credit union difference and the fact that America’s credit unions—nearly half of which employ fewer than five full-time employees and hold less than $20 million in assets—were neither responsible for nor participatory in the risky financial activities that predicated the 2008 financial crisis. The risk-based capital rule continues to be a solution in search of a problem. We urge the Committee to consider and approve H.R. 5841.

On behalf of America's credit unions and their 110 million members, thank you for your time and leadership on this issue.

Sincerely,

Jim Nussle  
President & CEO